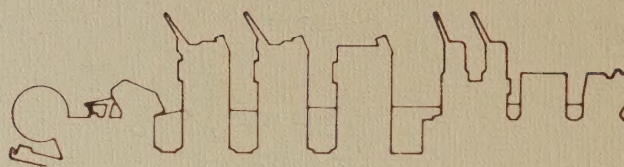


KEYSTONE BUSINESS FORMS LTD.

6th ANNUAL REPORT 1973



KEYSTONE BUSINESS FORMS LTD.

Head Office: 1230 Adanac Street, Vancouver 6, B.C.

directors

* Gordon A. Christopher	Vancouver, B.C.
Stanley O. Davies	West Vancouver, B.C.
* Charles Hardy Foster	West Vancouver, B.C.
Reginald P. Gillingham	West Vancouver, B.C.
M. Joseph Kelly	Vancouver, B.C.
Gordon E. Lennox	Vancouver, B.C.
* Evans E. Wasson, Q.C.	Vancouver, B.C.

Gordon E. Lennox	<i>President</i>
M. Joseph Kelly	<i>Vice President & Treasurer</i>
Charles Hardy Foster	<i>Secretary</i>

Transfer Agent & Registrar

Canada Permanent Trust Company, Vancouver, B.C.

Auditors

Culver & Co., Vancouver, B.C.

**Members of the Audit Committee*

the president's report

In this our 6th annual report to shareholders, we are pleased to report the most successful year in our history. Sales increased 15% while Income before taxes improved by 27%. Earnings per share of 48¢ reflected an improvement of 40%.

It is interesting to note that Selling and Administration Costs remained the same, at 18% of Sales, while Cost of Sales improved by 4% despite increased labor and material costs. Your company is fortunate in the fine group of people who, together, combined to achieve this record.

Reference should be made to the Balance sheet to note the increase in Accounts Receivable of 33 1/3%. The reason for this is due to a surge of business in the last 2 months (October and November) of the fiscal year, which together accounted for 22% of Sales and 35% Return on Sales for the entire year. Inventories were similarly affected as the Sales Input pace showed no "let-up" during November.

Since our last semi-annual report, the Board has appointed another director, Mr. Gordon A. Christopher. With his broad and varied business experience, Mr. Christopher will add depth to the Board. In addition Mr. Christopher is a member of the Audit Committee.

As to the ensuing year, it is absolutely presumptuous on our part to make any kind of a forecast as to earnings. So many factors are involved, viz.:

- 1) It is necessary to move from the leased premises which we have occupied for about 19 years. The building has been sold. Our lease expires on April 30, 1975. The new owner will not renew. However, at the date of writing this report, arrangements are being finalized to erect a new building to our specifications on a long-term lease. Occupancy costs will increase.
- 2) Shortage of fine paper. Expanding on the last semi-annual report, the shortage is serious. Your company is now on a quota basis from its suppliers. Thus we will be unable to meet all demands from new customers. We must first look after established accounts. Paper costs have and continue to increase drastically.
- 3) Carbon tissue shortage coupled with similar price increases.
- 4) Increase in costs of many materials required for production and concern of shortages as well.
- 5) More increases in labor costs.

The preceding points to the year 1974 as one of transition including moving costs, but one which will act as a spring-board for improved growth in the future. Your company, as the Balance sheet reflects, is in good financial health. We are optimistic for the future.

Gordon E. Lennox, President

February 21, 1974.

assets

30 November 1973

	<u>1973</u>	<u>1972</u>
Current Assets:		
Cash	\$ 40,569	\$ 27,375
Accounts receivable, less allowance	395,420	294,732
Inventories of raw materials and work in process, at lower of cost and net realizable value	<u>208,268</u>	<u>158,987</u>
	<u>644,257</u>	<u>481,094</u>
Fixed Assets — machinery, equipment and vehicles at cost	599,136	579,698
Less accumulated depreciation (Note 2)	<u>466,102</u>	<u>416,138</u>
	<u>133,034</u>	<u>163,560</u>
	\$777,291	\$644,654

Director

liabilities

	<u>1973</u>	<u>1972</u>
Current Liabilities:		
Bank loan, secured	\$ —	\$ 15,000
Accounts payable and accrued liabilities	144,713	108,015
Allowance for taxes on income, less instalments paid	32,101	29,376
	<u>176,814</u>	<u>152,391</u>
Capital and Surplus:		
Share Capital:		
Authorized:		
100,000 redeemable non-cumulative preference shares, par value \$1.00 each	\$100,000	
1,000,000 common shares of no par value	—	
	<u>\$100,000</u>	
Issued — 333,333 common shares	10,000	10,000
Earned Surplus, per attached statement	590,477	482,263
	<u>600,477</u>	<u>492,263</u>
	<u>\$777,291</u>	<u>\$644,654</u>

Statement of Earned Surplus
For the Year ended 30 November 1973
(With comparative amounts for the year ended 30 November 1972)

	<u>1973</u>	<u>1972</u>
Amount at beginning of year	\$482,263	\$417,779
Add net profit for the year	<u>158,214</u>	<u>114,484</u>
	640,477	532,263
Deduct dividends — fifteen cents per share	<u>50,000</u>	<u>50,000</u>
Amount at end of year	<u>\$590,477</u>	<u>\$482,263</u>

KEYSTONE BUSINESS FORMS LTD.

Statement of Profit and Loss For the Year ended 30 November 1973

(With comparative amounts for the year ended 30 November 1972)

	<u>1973</u>	<u>1972</u>
Sales	\$1,911,410	\$1,677,129
Cost of Sales (Note 2)	<u>1,306,409</u>	<u>1,167,567</u>
Gross Profit	<u>605,001</u>	<u>509,562</u>
Selling Expenses (Note 2)	<u>236,088</u>	<u>205,559</u>
General and Administrative Expenses (Note 2)	<u>106,840</u>	<u>93,920</u>
	<u>342,928</u>	<u>299,479</u>
Operating Profit	<u>262,073</u>	<u>210,083</u>
Other Income	<u>8,141</u>	<u>2,401</u>
Net Profit before Taxes on Income	<u>270,214</u>	<u>212,484</u>
Income Taxes	<u>112,000</u>	<u>98,000</u>
Net Profit	<u>\$ 158,214</u>	<u>\$ 114,484</u>
Earnings per share	<u>\$.48</u>	<u>\$.34</u>

KEYSTONE BUSINESS FORMS LTD.

Statement of Source and Application of Funds For the Year ended 30 November 1973

(With comparative amounts for the year ended 30 November 1972)

	<u>1973</u>	<u>1972</u>
Source of Funds:		
Operations (including non-cash items added back: 1973 – \$51,560 1972 – \$50,199)	<u>\$209,774</u>	<u>\$164,683</u>
Application of Funds:		
Acquisition of fixed assets	21,034	79,323
Dividends	<u>50,000</u>	<u>50,000</u>
	<u>71,034</u>	<u>129,323</u>
Increase in working capital	138,740	35,360
Working capital at beginning of year	<u>328,703</u>	<u>293,343</u>
Working capital at end of year	<u>\$467,443</u>	<u>\$328,703</u>

notes to financial statements

1. Place of Incorporation

Keystone Business Forms Limited is incorporated under the laws of the Province of British Columbia.

2. Depreciation

As in preceding years depreciation was computed on a straight line basis applied to original cost at rates varying from 10% on office equipment to 33 1/3% on leasehold improvements and charged to operations as follows:

	<u>1973</u>	<u>1972</u>
Cost of Sales	\$ 40,289	\$ 39,284
Selling Expenses	2,189	2,189
General and Administrative Expenses	9,082	8,726
	<u>\$ 51,560</u>	<u>\$ 50,199</u>

3. Remuneration of Directors and Senior Officers

Aggregate direct remuneration paid to directors and senior officers of the company totalled \$120,497 in 1973 and \$113,301 in 1972.

4. Contingent Liabilities

The company is involved in prosecution under the Combines Investigation Act. In the opinion of counsel, the company has a good defense and the costs of defending the charge should not exceed \$10,000.

auditors' report

CULVER & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Keystone Business Forms Limited

We have examined the balance sheet of Keystone Business Forms Limited as at 30 November 1973 and the related statements of profit and loss, surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company at 30 November 1973 and the results of its operations and the source and application of its funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

"CULVER & CO."
Chartered Accountants

Vancouver, B.C.
15 January 1974

